

H.R. 2944
AMENDMENT TO AMENDMENT IN THE NATURE OF
A SUBSTITUTE
OFFERED BY MR. SAWYER

Page 23, strike line 3 and all that follows down to the quotation marks on page 24, line 11.

Page 27, line 3, insert “(a) IN GENERAL.—” before “Part II”.

Page 29, after line 18, insert:

1 (b) STANDARDS FOR ESTABLISHING RATES,
2 CHARGES, TERMS, AND CONDITIONS FOR TRANSMISSION
3 SERVICE.—Part II of the Federal Power Act is amended
4 by adding at the end thereof the following new section:
5 **“SEC. 216. STANDARDS FOR ESTABLISHING RATES,**
6 **CHARGES, TERMS, AND CONDITIONS FOR**
7 **TRANSMISSION SERVICE.**

8 “(a) RECOVERY OF COSTS.—In reviewing rates,
9 charges, terms, and conditions for transmission services
10 under this Act, the Commission shall permit a transmit-
11 ting utility to recover the costs incurred by the utility in
12 connection with the transmission services and necessary
13 associated services, including, but not limited to, the costs
14 of any enlargement of transmission facilities.

15 “(b) CONSIDERATION OF COST AND BENEFIT.—In
16 reviewing the rates, charges, terms, and conditions of

1 transmission services that are provided by a regional
2 transmission organization and that make use of facilities
3 constructed after the date of enactment of this section,
4 the Commission shall take into account the incremental
5 cost and the benefit to interconnected transmission sys-
6 tems of such facilities.

7 “(c) CERTAIN REQUIREMENTS.—Rates, charges,
8 terms and conditions established pursuant to subsections
9 (a) and (b) shall—

10 “(1) be just and reasonable and not unduly dis-
11 criminatory or preferential; and

12 “(2) promote the economically efficient trans-
13 mission of electricity, the expansion of transmission
14 networks, the introduction of new transmission tech-
15 nologies, and the provision of transmission services
16 by regional transmission organizations.

17 “(d) VOLUNTARY INNOVATIVE PRICING POLICIES.—
18 Notwithstanding subsection (a) of this section, the Com-
19 mission shall encourage innovative pricing policies volun-
20 tarily filed by transmitting utilities. Innovative pricing
21 policies include policies that—

22 “(1) provide incentives to transmitting utilities
23 to promote the voluntary participation in and forma-
24 tion of regional transmission organizations, without
25 having the effect of forcing transmitting utilities to

1 join regional transmission organizations and extend
2 such incentives to transmitting utilities that already
3 have formed a regional transmission organization;

4 “(2) limit the charging of multiple rates for
5 transmission service over the transmission facilities
6 operated by the regional transmission organization,
7 provided, however, that a reasonable transition
8 mechanism or period may be used before eliminating
9 such rates;

10 “(3) minimize the shifting of costs among exist-
11 ing customers of the transmitting utilities within the
12 regional transmission organization;

13 “(4) encourage the efficient and reliable oper-
14 ation of the transmission grid and supply of trans-
15 mission services through congestion management,
16 performance-based or incentive ratemaking, and
17 other measures; and

18 “(5) encourage efficient and adequate invest-
19 ment in and expansion of the transmission facilities
20 owned or controlled by the regional transmission or-
21 ganization.

22 “(c) NEGOTIATED RATES.—Notwithstanding sub-
23 section (a) of this section, the Commission may permit the
24 charging of negotiated rates for transmission services
25 without regard to costs whenever an individual company

1 or companies are willing to pay such negotiated rates, pro-
2 vided, however, that such costs shall not be recovered from
3 other transmission customers.

4 “(f) EFFECTIVE COMPETITION.—Notwithstanding
5 subsection (a) of this section, in reviewing rates, charges,
6 terms, and conditions for transmission rates under this
7 Act, the Commission may permit the recovery of market-
8 based rates for transmission services where it finds that
9 relevant geographic and product markets for transmission
10 services or for delivered wholesale power are subject to ef-
11 fective competition.

12 “(g) RULEMAKING.—Within 180 days after enact-
13 ment of this section, the Commission shall establish by
14 rule definitions and standards to govern its approval of
15 performance-based or incentive pricing policies under sub-
16 section (d) and negotiated rates under subsection (e).
17 With respect to performance-based or incentive rates, the
18 definitions and standards shall include, but not be limited
19 to, (1) a method for calculating initial transmission rates
20 (including price caps that would include discounting); (2)
21 an index mechanism for adjusting initial rates; (3) time
22 periods for redetermining initial rates; and (4) costs to
23 be excluded from performance-based rates.

24 “(h) REPORT.—Within 360 days after enactment of
25 the section, the Commission will submit to Congress a re-

1 port on all policies adopted by the Commission to encour-
2 age the economic use and expansion of the transmission
3 network through incentive rates or other similar market-
4 oriented approaches.

5 “(i) ANNUAL REPORTS.—The Commission shall sub-
6 mit annually a report to the Congress comparing the al-
7 lowed financial returns on transmission related investment
8 by electric utilities to the financial returns earned by a
9 sample of United States companies from other industrial
10 sectors.”.